

# **PUBLIC DISCLOSURE**

(April 21, 1997)

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BERKS COUNTY BANK  
DSBB -  
READING, PENNSYLVANIA**

**FEDERAL RESERVE BANK OF PHILADELPHIA  
PHILADELPHIA, PENNSYLVANIA**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Reserve Bank of Philadelphia concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the financial institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance **of Berks County Bank (BCB)** prepared by the **Federal Reserve Bank of Philadelphia**, as of **April 21, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

**INSTITUTION'S CRA RATING:** This institution is rated **SATISFACTORY**, based upon the findings presented in the following discussion of the bank's performance.

The evaluation determined that BCB effectively addresses the credit needs of its Assessment Area (AA), as designated for purposes of CRA, including those of low- and moderate-income geographies and individuals. This assessment was based on the bank's lending activities since the previous evaluation, which was conducted as of September 5, 1995. BCB's lending level, as reflected in its loan-to-deposit ratio, is deemed reasonable given the bank's size, the credit needs of its AA, and the significant consolidation of commercial banking services within its AA, resulting from significant merger activity among commercial banks over the past 18 months. A substantial majority of BCB's loans, originated since the previous evaluation, were extended to consumer and commercial borrowers within its AA. The geographic distribution of loan originations (i.e. home mortgage, consumer, and commercial credit) reflected a reasonable dispersion of credit within low- to moderate-income geographies, based upon the percentage of the AA's total population that resides in same. Additionally, the percentage of loans extended to low- and moderate-income individuals is commensurate with the percentage of the AA's total population that is comprised of same, and nearly all of the commercial loans that the bank has originated have been extended to small businesses as defined by Regulation BB. Finally, the bank has not received any complaints relative to its performance under CRA since the previous evaluation.

### **DESCRIPTION OF INSTITUTION**

Berks County Bank (BCB), headquartered in Reading, Pennsylvania, operates as a wholly-owned subsidiary of BCB Financial Services Corporation, a bank holding company. BCB, which reported total assets of \$324.5 million at December 31, 1996, represented 99.9% of consolidated assets of BCB Financial Services Corporation at the same date. The bank reported net income of \$1.9 million for the 12 months ended December 31, 1996, representing a return on average assets (ROAA) of .79%. The corresponding average ROAA for BCB's national peer group was 1.25%. The bank's national peer group is comprised of all insured commercial banks having assets between \$100 and \$300 million with three or more banking offices, and located in a metropolitan area.

BCB is a full service, commercial bank that offers an array of banking products as captioned in the table below.

<b>Berks County Bank Loan and Deposit Products</b>	
<b>Loans</b>	<b>Deposits</b>
<b>Personal Loans</b>	<b>Certificates Of Deposit</b>
<b>Commercial Loans and Lines of Credit</b>	<b>Personal Checking and Savings</b>
<b>Letters of Credit</b>	<b>Club Accounts</b>
<b>VISA Credit Cards</b>	<b>VISA Debit Cards</b>
<b>Home Equity Loans and Lines of Credit</b>	<b>Insured Retirement Accounts</b>
<b>Home Improvement Loans</b>	<b>Bank by Mail and Telephone Services</b>
<b>Mortgage Refinance Loans</b>	<b>Trust Services</b>
<b>Residential Mortgages</b>	<b>Money Market Deposit Accounts</b>
<b>Equipment Leasing</b>	<b>Negotiable Orders of Withdrawal</b>
<b>Specialty Financing</b>	<b>Cash Management Services</b>

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **DESCRIPTION OF INSTITUTION (continued)**

BCB markets loans, deposit products, and banking services through six full service banking offices. The location of each office is deemed reasonably accessible to all segments of BCB's assessment area (AA), as delineated for purposes of CRA, including low- to moderate-income geographies.

The bank has not closed any offices since the previous evaluation; but, opened an office in Shillington, Pennsylvania in May 1997. BCB also operates a proprietary network of seven automated teller machines (ATMs) and is a member of the Money Access Card (MAC) and PLUS, nationwide ATM system, which provides access through an international network of ATMs. BCB also offers VISA Check Card which is a debit card offered through the VISA network. The bank also offers early morning and Saturday business hours as a means of delivery of banking products.

BCB operates in a competitive banking market that includes large regional banking organizations and other community banks. Significant consolidation of financial services offered within the AA has occurred over the past eighteen months as a result of significant merger activity.

BCB reported total assets of \$324 million at December 31, 1996, up from \$207 million in assets reported at year end 1995. This net increase of 57% is reflective of a substantially expanded loan portfolio and deposit base. Management attributes such expansion to increased market share obtained in the wake of the aforementioned merger activity. The effect of the growth upon the bank's loan to deposit ratios over the past eighteen months is discussed under Loan-to-Deposit Ratio.

### **DESCRIPTION OF ASSESSMENT AREA - BERKS COUNTY BANK**

BCB's AA is comprised of 84 census tracts or geographies, encompassing portions of Berks, Chester and Montgomery Counties. In terms of physical area, most of the AA is located in the southern half of Berks County. Specifically, 66 or 78% of the AA's geographies are contained in the southern half of Berks County, which is part of the Reading Metropolitan Statistical Area (MSA). Of the AA's remaining geographies, two or 3% are in Chester County, while 16 or 19% are in Montgomery County. Both Chester and Montgomery Counties are part of the Philadelphia MSA. That part of Montgomery County included in BCB's AA essentially consists of the city of Pottstown and geographies contiguous to it. The AA's three geographies in Chester County are largely suburban to semi-rural in nature. The Reading and Philadelphia MSA's are specifically defined, in terms of geographies, by the U.S. Office of Management and Budget (OMB). The respective median family incomes, based on 1990 U.S. Census data, of Pennsylvania, the Philadelphia and Reading MSA's, and the AA are presented below.

	PENNSYLVANIA	PHILADELPHIA MSA	READING MSA	AA
MEDIAN FAMILY INCOME	\$ 34,856	\$ 41,908	\$ 37,755	\$ 38,492

Additionally, 1996 adjusted median family incomes, based upon ongoing annual adjustments to the 1990 median family incomes of the Philadelphia and Reading MSA's and the AA by HUD, are presented next.

	PHILADELPHIA MSA	READING MSA	AA
MEDIAN FAMILY INCOME	\$ 49,300	\$ 43,100	\$44,677

## **DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)**

### **DESCRIPTION OF ASSESSMENT AREA - BERKS COUNTY BANK (continued)**

The AA includes metropolitan, suburban, and rural areas. Major employment within the AA is concentrated in manufacturing, retailing, and food production. In that the Reading MSA is comprised solely of Berks County, the AA's overall demographic and economic characteristics approximate those of the Reading MSA. Unemployment rates for the AA and the Reading MSA are somewhat lower than those of either Pennsylvania, as a whole, or the Philadelphia MSA. Median housing values of the AA and the Reading MSA are considerably less than the Philadelphia MSA median; but, significantly greater than the median of the state. The AA and the Reading MSA have somewhat higher owner occupancy rates for residential housing than those of the Philadelphia MSA and the state. Based upon the AA's adjusted 1996 median family income by HUD, four of the AA's 85 tracts have been designated as low-income (4.7%), 19 as moderate-income (21.2%), 52 as middle-income (61.2%) and 11 as upper-income (12.9%). Twenty of the AA's 23 low- to moderate-income geographies are located in the city of Reading, whose housing characteristics include older units, lower values, lower rents, higher vacancy rates, more boarded up units, and a lower owner occupancy rate than either the AA, as a whole, or the Reading MSA. The other three low- to moderate-income geographies are situated in the city of Pottstown, Montgomery County.

Reading's population accounts for 30.5% of the AA's total population and 32.1% of the Reading MSA population. The city's unemployment rate was 6.5% as of March 1994, considerably above the MSA's rate of 4.4%. Of the city's 34 census tracts, 59% have been designated as low- to moderate-income based on the 1990 median family income of the Reading MSA. All of the low- to moderate-income tracts are situated in the city's downtown section. BCB's main office is located in a low-income geography in downtown Reading.

Available demographic and economic data, compiled by the Board of governors of the Federal Reserve System and the Community and Consumer Affairs Department of this Reserve Bank indicates an overall need within the AA for home mortgage credit, particularly affordable housing credit alternatives in the city of Reading. BCB has proactively undertaken to originate mortgages in the AA to address such needs. Home mortgage needs and the bank's home mortgage lending profile are presented in greater detail under Lending to Borrowers of Different Incomes and Businesses of Different Sizes.

### **LOAN- TO- DEPOSIT RATIO**

Although BCB's loan-to-deposit ratios have decreased somewhat since the previous evaluation, they are deemed reasonable for purposes of CRA given the bank's size and retail orientation, the consolidation of banking services within its AA in 1996, and the corresponding growth that it experienced during that period.

The table below depicts the institution's quarterly loan-to-deposit ratios subsequent to the previous evaluation, conducted as of September 5, 1995, together with an average loan to deposit ratio for the seven quarters shown.

The quarterly loan- to- deposit ratio average is derived by adding the quarterly loan-to-deposit ratios and dividing by the number of quarters since the last examination.

## DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)

### LOAN- TO- DEPOSIT RATIO (continued)

Berks County Bank-s Historical Loan-To-Deposit Ratio			
As of	Net Loans (thousands)	Total Deposits(thousands)	Ratio %
9/30/95	140,392	170,649	82.3
12/31/95	150,015	183,033	81.9
3/31/96	155,286	206,403	75.2
6/30/96	172,820	227,928	75.8
9/30/96	182,461	237,795	76.7
12/31/96	196,235	267,196	73.4
3/31/97	206,619	295,207	70.0
Loan to Deposit Ratio Average Since Previous Examination			76.5

Source: Uniform Bank Performance Reports .

The next table depicts the bank's growth rates and loan to deposit ratios, in comparison to national peer averages, over the past four years :

Growth Rates	12/31/96	%	12/31/95	%	12/31/94	%	12/31/93	%
Assets	57.0	Peer 9.1	33.6	Peer 9.1	6.8	Peer 5.0	11.2	Peer 5.7
Deposits	46.0	NA	41.2	NA	17.1	NA	9.4	NA
Loans	30.8	13.1	19.2	10.2	12.5	10.0	22.0	8.0
Loan/Deposit Ratio	73.4	70.7	82.0	68.2	97.1	61.7	101.0	59.7

Source: Uniform Bank Performance Report.

Although BCB-s loan to deposit ratios have decreased somewhat from 1995 levels, year-end loan to deposit ratios have exceeded peer averages. Moreover, actual loan volume at December 31, 1996 reflects a net increase of \$46.2 million over that at year end 1995. Such rapid growth within the loan portfolio was facilitated through a sharp expansion in the bank-s deposit base during a period of heightened merger activity among commercial banks within the AA.

Loans secured by real estate remain the single largest component of BCB-s loan portfolio in absolute and relative terms. Such credit totaled \$167.2 million outstanding at December 31, 1996, 78.2%, of which, was comprised of residential mortgage loans. Collectively, residential mortgages and non-mortgage personal loans, which totaled \$5.3 million, represented 68.6% of total loans outstanding at year end 1996. The composition of BCB-s loan portfolio over the previous five years is detailed in the following chart.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **LOAN- TO- DEPOSIT RATIO (continued)**

#### **Loan Portfolio Composition**

<b>Loan Type</b>	<b>12/31/96</b>	<b>%</b>	<b>12/31/95</b>	<b>%</b>	<b>12/31/94</b>	<b>%</b>	<b>12/31/93</b>	<b>%</b>	<b>12/31/92</b>	<b>%</b>
Real Estate	167,173	84.3	130,893	86.3	110,580	86.9	97,863	86.4	78,027	83.3
Commercial	25,444	12.8	16,576	10.9	13,290	10.4	12,029	10.6	12,558	13.4
Consumer Loans	5,277	2.6	3,803	2.5	2,933	2.3	2,739	2.4	2,394	2.6
Agricultural	6	¢	20	¢	129	0.1	202	0.2	279	0.3
Other	336	0.3	397	0.3	322	0.3	435	0.4	363	0.4
Total	198,236	100.0	151,689	100.0	127,254	100.0	113,268	100.0	93,621	100.0

Source: Uniform Bank Performance Report.

### **LENDING IN ASSESSMENT AREA**

The evaluation included an assessment of BCB's lending presence within its AA. As such, BCB is deemed to have originated a substantial majority of its loans within its AA since the previous evaluation. This assessment is based largely upon analyses of the bank's 1996 and 1995 Home Mortgage Disclosure Act (HMDA) data in that home mortgage credit is a primary lending product of the bank. Additionally, such analyses is supplemented by analyses of a judgmental sample of 78 consumer and commercial loans originated within the 90 day period preceding the date of this evaluation.

BCB received 1096 home mortgage applications during 1996 in an aggregate amount of \$87.4 million, from which the bank originated 979 loans in an aggregate amount of \$77.5 million. Comparable measures for 1995 were 794 applications received in an aggregate amount of \$72.8 million resulting in 714 originations in an aggregate amount of \$66.4 million.

Further details of BCB's home mortgage lending volume in 1996 and 1995, based on applicable HMDA data, is presented in the following charts:

#### **1996 Mortgage Lending Activity**

	<b>Applications #/\$</b>		<b>Originations #/\$</b>		<b>Denials #/\$</b>		<b>Withdrawn #/\$</b>	
FHA/FmHA/VA	36	2.5	30	2.1	4	0.3	2	0.1
Conventional	639	55.9	580	50.3	22	1.8	36	3.8
Refinance	293	26.2	257	22.6	16	1.5	19	1.9
Home Improv.	119	2.1	104	1.9	10	0.1	5	0.1
Multi-Family	9	0.7	8	0.6	0	N/A	1	0.1
TOTAL	1096	87.4	979	77.5	52	3.7	63	6.0

(Dollars in Millions)

## DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

### LENDING IN ASSESSMENT AREA (continued)

#### 1995 Mortgage Lending Activity

	Applications #/\$		Originations #/\$		Denials #/\$		Withdrawn #/\$	
FHA/FmHA/VA	11	0.6	11	0.6	0	N/A	0	N/A
Conventional	506	43.8	452	39.3	19	1.6	34	3.0
Refinance	166	24.2	147	22.4	7	0.6	11	1.0
Home Improv.	103	4.1	97	4.0	2	0.1	2	0.1
Multi-Family	8	0.1	7	0.1	0	N/A	0	N/A
<b>TOTAL</b>	<b>794</b>	<b>72.8</b>	<b>714</b>	<b>66.4</b>	<b>28</b>	<b>2.3</b>	<b>47</b>	<b>4.1</b>

(Dollars in Millions)

The following tables depict BCB's home mortgage lending penetration, in terms of number, within its AA. In this regard, a substantial majority (87.9% and 88.5% in 1996 and 1995, respectively) of the bank's home mortgage loan originations were extended to finance residential dwellings within its AA. It is also noteworthy that, based on 1995 HMDA data, BCB was the second largest mortgage lender in the Reading MSA, in terms of the number of mortgage originations.

#### Analysis of HMDA:

1996 HMDA Loan Penetration Profile		
	Number	Percent
<b>Inside</b>	861	87.9
<b>Outside</b>	118	12.1
<b>Total Loans</b>	979	100%

1995 HMDA Loan Penetration Profile		
	Number	Percent
<b>Inside</b>	632	88.5
<b>Outside</b>	82	11.5
<b>Total Loans</b>	714	100%

Additionally, the judgmental sample of consumer and commercial loans demonstrates a substantial majority of originations within BCB's AA as presented in the table below.

#### Analysis of Judgmental Sample of Consumer and Commercial Loans Originated

Loan Sample Penetration Profile						
	CONSUMER LOANS		COMMERCIAL LOANS		TOTAL LOANS SAMPLED	
	Number	Percent	Number	Percent	Number	Percent
<b>Inside</b>	54	93.1	16	80.0	70	89.7
<b>Outside</b>	4	6.9	4	20.0	8	10.3



Loan Sample Penetration Profile						
Total Loans	58	100%	20	100%	78	100%

## **DISCUSSION OF INSTITUTION-S PERFORMANCE (CONTINUED)**

### **GEOGRAPHIC DISTRIBUTION OF LOANS**

An assessment of BCB-s penetration among different geography types (i.e low- to moderate-income, middle-income, and upper income), of its AA was determined based upon analyses of 1996 and 1995 HMDA data and consumer and commercial loans judgmentally sampled. The analyses were then compared to AA demographics.

Based upon the foregoing analyses, the geographic distribution of home mortgage, consumer, and commercial loans originated subsequent to the previous evaluation reflects a reasonable dispersion throughout the AA, including low- and moderate-income geographies.

The geographic distribution of home mortgage credit originated during 1996 and 1995 is presented in the tables below.

Geographic Distribution of Loans Within Assessment Area 1996 Loan Originations		
Geography Type	Number	Percent
Low/Mod	110	12.8%
Middle	549	63.7%
Upper	202	23.5%
Total	861	100%

Geographic Distribution of Loans Within Assessment Area 1995 Loan Originations		
Geography Type	Number	Percent
Low/Mod	64	10.1%
Middle	393	62.2%
Upper	175	27.7%
Total	632	100%

Not surprisingly, most of the properties in the AA-s low- to moderate-income geographies financed by BCB in 1996 and 1995 are located in the city of Reading, the others are in Pottstown. Further details of the number of originations in low- to moderate-income geographies within Reading and Pottstown are presented below.

DISTRIBUTION BY CITY OF ORIGINATIONS IN LOW- TO MODERATE-INCOME GEOGRAPHIES				
	1996		1995	
CITY	Number	Percent	Number	Percent
READING	103	93.6%	59	92.2%
POTTSTOWN	7	6.4%	5	7.8%
TOTAL	110	100%	64	100%

## DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

### GEOGRAPHIC DISTRIBUTION OF LOANS (continued)

The evaluation also determined that 64% and 63% of BCB's total low- to moderate-income tract loans originated in 1996 and 1995, respectively, financed owner-occupied dwellings. Such percentages are deemed reasonable, for purposes of CRA, in context of Reading's overall owner-occupancy rate of 53.5% .

It is also noteworthy that the volume of home mortgage loans originated in 1996 within low- to moderate-income geographies increased, both in relative and absolute terms, over that of 1995. In this regard, 1995 HMDA data indicates that BCB was the third largest mortgage lender, in terms of number of originations, within Reading's low- to moderate-income geographies, behind Meridian Bank, which was subsequently merged into CoreStates Bank, NA, and Avstar Mortgage Corporation.

The following chart details the geographic distribution, by census tract within the AA, of consumer and commercial loans judgmentally sampled.

LENDING PROFILE BY CENSUS TRACT						
	CONSUMER LOANS		COMMERCIAL LOANS		TOTAL LOANS SAMPLED	
BY CENSUS TRACT	Number	Percent	Number	Percent	Number	Percent
Low and moderate Income	9	16.7	3	18.8	12	17.1
Middle-Income	20	37.0	7	43.8	27	38.6
Upper-Income	20	37.0	6	37.5	26	37.2
Unknown	5	9.3	0	0	5	7.1
Total Loans	54	100%	16	100%	70	100%

Based on 1990 Census data, 18.0% of the AA's population resides in low- to moderate-income census tracts, 64.3% in middle-income tracts, and 17.7% in upper-income tracts. In summary, the table below compares such demographics with the actual geographic distribution of 1996 and 1995 HMDA loans and consumer and commercial loans sampled.

BY CENSUS TRACT	Assessment Area Demographics	1995 HMDA Loans	1995 HMDA Loans	Loans Sampled at this Exam
Low/Mod Income	17.9	12.8	10.1	17.1
Middle Income	64.4	63.7	62.2	38.6
Upper Income	17.7	23.5	27.7	37.2
Unknown	NA	NA	NA	7.1
Total	100%	100%	100%	100%

## DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)

### LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

BCB's distribution of borrowers, both consumer and commercial, reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses of different sizes.

#### Borrower Income Distribution

For purposes of CRA, a low- or moderate-income designation refers to an income which is less than 80% of the median family income of a given AA or MSA. As noted under Description of Assessment Area, the adjusted 1996 median family income of the AA was \$44,677. Thus, borrower incomes for the AA are categorized as follows:

<u>Low /Moderate Income</u>	Less than 80% of the Median MSA Income - <b>Less than \$35,742</b>
<u>Middle Income</u>	80% through 119% of the Median MSA Income - <b>From \$35,742 through \$53,166.</b>
<u>Upper Income</u>	120% or greater than the Median MSA Income - <b>Greater than \$53,166.</b>

Accordingly, BCB's lending penetration among borrowers of different income levels within the AA was determined based upon analyses of 1996 and 1995 HMDA data and consumer loans sampled judgmentally. The analyses were then compared to the AA's overall income distribution. Such analyses are presented as follows:

<b>Income Category</b>	<b>Assessment Area Income Distribution</b>	<b>1995 HMDA Loans</b>	<b>1996 HMDA Loans</b>	<b>Loans Sampled at this Examination</b>
<b>Low/Moderate</b>	<b>35.8</b>	32.0	41.4	42.6
<b>Middle</b>	<b>27.2</b>	15.3	14.2	9.3
<b>Upper</b>	<b>37.0</b>	50.5	43.0	29.5
<b>Income Not Available</b>	<b>0</b>	2.2	1.4	18.5
<b>Total</b>	<b>100%</b>	100%	100%	100%

Note: HMDA data is deemed a reliable indicator of borrower distribution in that, generally, all sources of family income are considered with respect to a home mortgage loan application. Consumer loan distributions, by comparison, should be viewed in the context that some of the borrowers designated as low- to moderate-income, may, in fact, be individuals that are part of a family or household not categorized as low- to moderate-income.

The foregoing analyses indicate a substantial volume of home mortgage loans originated among low- to moderate-income borrowers in 1996 relative to AA demographics and should be viewed in context of the following:

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES (continued)**

#### **Borrower Income Distribution (continued)**

Available demographic data indicates that 72% of the AA's 34,347 low- to moderate-income families reside in a geography that has not been designated as low- to moderate-income. As noted under Geographic Distribution of Loans, BCB increased its volume of mortgage originations in the AA's low- to moderate-income geographies in 1996 in comparison to that of 1995. However, the percentage of loans originated in low- to moderate-income geographies in 1996 remains below the percentage of the AA's population (17.9%) residing in same.

Notwithstanding BCB's increased lending presence in low- to moderate-income geographies, such facts suggest that a considerable portion of mortgages originated to low- to moderate-income families and individuals have been extended to finance properties outside of low- to moderate-income geographies. In this regard, although the median housing value of Reading, \$45,432, is low relative to the medians of the AA and the Reading MSA, overall community input obtained by the Community and Consumer Affairs Department of this Reserve Bank, through more than 90 interviews with representatives of various community entities, revealed that a substantial portion of families and residents of Reading cannot afford to buy a home. Community input further revealed that the greatest obstacles to home ownership are an inadequate work history and the inability to meet down payment and closing cost requirements. To effectively address such obstacles, community representatives expressed the need for low down payment mortgages, participation in government sponsored home mortgage programs, and credit counseling and credit repair services.

Consistent with its overall proactive origination of home mortgage credit, and in an effort to respond to the aforementioned needs, BCB participates in various mortgage programs targeted at low- to moderate-income applicants. Participation in same has enabled the bank to more effectively address the mortgage needs of low- to moderate-income residents of the AA, thereby increasing lending activity in Reading's low- to moderate-income geographies while increasing its percentage of loans among low- to moderate-income applicants. Details of the aforementioned programs are provided as follows:

#### **Community Partnership Loan Program**

Since BCB's participation in this program in 1991, total mortgage approvals have exceeded \$3.7 million. Underwriting is performed in conjunction with Fannie Mae and Federal Home Loan Mortgage Corporation (Freddie Mac) guidelines, while loans originated under the program are held by BCB. The bank allocated \$1.3 million to participation in the program in 1996, which resulted in the origination of 36 loans during the same period. The bank allocated an additional \$1.5 million to the program for 1997. In this regard, \$1.0 million has been earmarked for Berks County, while \$500,000 is available for Pottstown and Schuylkill County. The program's criteria provides for a lower down payment, lower fees, and does not require private mortgage insurance (PMI).

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES (continued)**

#### **Borrower Income Distribution (continued)**

##### **Berks County Closing Cost Assistance Program**

This program is available to first-time home buyers and provides low- and moderate-income applicants with loans to cover all or a portion of settlement costs. Such credit is not repaid until the property is sold. Under the program, home ownership counseling is provided by the Berks Community Action Program, Inc. BCB originated 22 loans with total closing cost assistance of \$41,326 from January 1, 1996 through April 21, 1997.

##### **FHA and VA Mortgages**

More recently, the bank has increased its volume of Federal Housing Administration (FHA) and Veterans Administration (VA) mortgages. Although still nominal in the context of overall origination volume, BCB more than doubled its origination of such loans in 1996 over that of 1995, in terms of both number and dollars. Twenty-eight FHA and VA loans, combined, were originated in an aggregate amount of \$1.9 million in 1996, compared to 11 loans totaling \$579,000 originated in 1995.

#### **Business Size Distribution**

The evaluation also includes an assessment of BCB's lending penetration among businesses of different sizes, particularly small businesses. A small business loan, for purposes of this assessment, means a loan included in Loans to small businesses as defined in the instructions for preparation of the Consolidated Report of Condition and Income and filed for regulatory purposes. According to Schedule RC-C Part II (Loans to Small farms and Small businesses) of the bank's Consolidated Reports of Condition and Income as of June 30, 1996, 97.1% of the bank's commercial loans were classified as small business loans and are detailed as follows.

Berks County Bank Loans To Small Businesses as of 6/30/96			
	Number of loans	Amount Outstanding	Percent
Loans with original amounts of \$100,000 or less	488	13,238,000	32.5
Loans with original amounts of more than \$100,000 through \$250,000	96	10,858,000	26.7
Loans with original amounts of more than \$250,000 through \$1,000,000	44	15,408,000	37.9
<b>TOTAL SMALL BUSINESS LOANS</b>	<b>628</b>	<b>39,503,000</b>	<b>97.1</b>
Loans with original amounts of greater than \$1,000,000	1	1,187	2.9
<b>Total Commercial Loans</b>	<b>629</b>	<b>40,690,000</b>	<b>100.0</b>

## **DISCUSSION OF INSTITUTION'S PERFORMANCE (CONTINUED)**

### **LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES (continued)**

#### **Business Size Distribution (continued)**

Consistent with BCB's marketing focus upon small and medium size businesses, 488 or 77.6% of the total 629 loans outstanding were originated in original amounts of \$100,000 or less. Additionally, the judgmental sample of 20 commercial loans reviewed during this evaluation revealed that all 20 loans were extended to businesses with gross revenues of less than \$1.0 million. Finally, it is noted that the bank is an approved U.S. Small Business Administration (SBA) lender and has received approval for participation in the SBA's Certified Lender Program. From 1992 through July 1996, BCB has processed 25 SBA guaranteed loan applications and funded 21 SBA loans in an aggregate amount of \$2.7 million.

#### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS**

BCB's credit policies do not evidence any prohibited discriminatory practices such as prescreening or the discouragement of applicants for the types of credit set forth in the bank's CRA statement. The bank is in compliance with the substantive provisions of applicable antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and other agency regulations pertaining to nondiscriminatory treatment of credit applicants. BCB is not currently involved in any pending litigation involving consumer matters or applicable consumer protection statutes.